

VZCZCXRO9756
RR RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV
DE RUEHFR #1709/01 1171640
ZNR UUUUU ZZH
R 271640Z APR 07
FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC 6819
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE

UNCLAS SECTION 01 OF 03 PARIS 001709

SIPDIS

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [EAIR](#) [ECON](#) [ETRD](#) [PREL](#) [FR](#)
SUBJECT: CODEL OBERSTAR VISIT TO FRANCE, APRIL 3-6 2007

SUMMARY

¶1. (SBU) Chairman James Oberstar and seven members of the House Transportation and Infrastructure Committee visited France April 3-6. They met with the Minister of Transportation, the Minister Delegate for Trade, the Director General of Civil Aviation, as well as CEOs from Airbus, Air France and FEDEX Express. They heard positive reaction to the U.S./EU Open Skies agreement, GOF concerns about U.S. draft legislation on 100% freight inspection, and Europe's growing interest in the environmental impact of transportation. Tours of the Thalys TGV, Airbus and Fedex facilities, and a dinner hosted by counterparts from the French National Assembly rounded out their program.

Minister of Transportation

¶2. (SBU) Minister Perben hosted the delegation for breakfast on April 3. He began discussion by noting France's strong support for the U.S./EU Open Skies agreement recently initialed in Brussels. Chairman Oberstar recognized the key importance of the trans-Atlantic market for aviation, and observed that there had been a frank discussion about foreign investment and control. The new agreement was an improvement, but in his view restrictions on investment and control in U.S. airlines would remain.

¶3. (SBU) Perben also raised French concerns about proposals for 100% cargo inspection, noting that France had a system that sought to secure the entire supply chain, effectively providing 100% inspection, including for flights to the U.S. Chairman Oberstar observed that the U.S. was moving in the opposite direction: 9/11 had changed our approach. The ideal would be to provide a harmonized system for freight, similar to that which has been implemented worldwide post 9/11, a point echoed by Congressman Costello. Perben also warned that plans for 100% screening of maritime containers would have serious economic consequences. Chairman Oberstar replied that Congress was aware of this, but Hong Kong had shown that it could be done. Greater U.S. cooperation with France and EU was necessary both to improve technology and to create additional layers of security.

¶4. (SBU) Congresswoman Fallon raised the issue of the proposed EU Emissions Trading Scheme (ETS) for aviation. Chairman Oberstar observed that the U.S. had already made considerable reductions in emissions compared with Europe, and that U.S. planes were in any case a small part of an international problem that could not be approached by the EU in a unilateral manner. The best solution would be via ICAO, an approach the EU had supported in the past for noise reduction. Perben argued that the EU approach sought to use market incentives to encourage airlines to invest in emissions-reducing technology; Oberstar agreed that technology was a preferred means of addressing the problem, but underlined that the U.S. had real problems with EU approaches to noise or emissions that would hinder future development of air transportation.

¶5. (SBU) Finally, Perben observed that France was in a phase of

substantial investment in infrastructure, and foresaw a funding increase for rail and waterways of 40% over the next 6 years. Chairman Oberstar observed the U.S. was moving in the same direction, mentioning ambitious plans for new locks on the Mississippi as an example. Perben indicated France was also looking to the private sector to help finance projected infrastructure development, and was studying ways of modernizing toll collection to assist with this.

¶6. (SBU) Attendees on the French side were: Dominique Perben, Minister of Transportation and Equipment, Tourism and the Sea; Olivia Amozig-Bellot, technical counselor; Olivier Berthelot, technical counselor; Didier Lallement, Director General of Civil Aviation; Dominique Bureau, Director of Economic and International Affairs MOT, Aude Vermot-Gaud, Economic and International Affairs MOT, Patrick Vieu, Director of Rail and Mass Transit MOT; Patrick Paris, Director General of Roads, MOT. Codel Oberstar was joined by Ambassador Craig Stapleton, FAA Senior Representative Lirio Liu, and Econoff.

Minister Delegate for Trade

¶7. (SBU) Minister Delegate for Trade Christine Lagarde hosted a breakfast meeting April 4. She began the meeting by providing an overview of the current French presidential campaign, emphasizing the virtues of her UMP party candidate Nicholas Sarkozy and the faults, as she saw them, of Socialist candidate Segolene Royale and centrist Francois Bayrou. She expressed doubts about the long-term viability of the Socialist Party given divisions between its left and center, and surprise at the popularity of Bayrou given his thin record of accomplishment. In response to questions, she noted that Iraq was not a French campaign issue and that the real problems

PARIS 00001709 002 OF 003

SUMMARY

faced by immigrants and the poor should not be confused with religious questions.

¶8. (SBU) Turning to international trade, Lagarde praised cooperation between France and the U.S. on port security, protection of intellectual property, and the U.S./EU Open Skies agreement. She warned that many details remained to be settled in the next 6 months after signature of the agreement, and that the UK would bear close watching for signs of backsliding. Oberstar agreed that British Airways was losing an extremely lucrative monopoly over its slots at Heathrow, but that the EU was fully aware of the problem. Oberstar concluded with his view that rather than super-consolidation of the U.S. market to 2 or 3 carriers, what it should aim for in coming years was greater competition between many carriers, an approach that Lagarde favorably characterized as "competition with regulation."

¶9. (SBU) Attendees for the French were Christine Lagarde, Minister Delegate for Trade; Stanislaus Pottier, Director of the Minister's Cabinet; Philippe Pgorier, Diplomatic Advisor; David Emond, Technical Advisor; Philippe Bouyoux, Director of Economic Policy, Treasury and Economic Policy General Directorate. Codel Oberstar was joined by Ambassador Craig Stapleton and Econoff.

Airbus/EADS

¶10. (SBU) Codel Oberstar met with Airbus CEO and European Aeronautic and Space Defense (EADS) co-CEO Louis Gallois April 4. Chairman Oberstar noted Congressional concern about Airbus links to European government, and its benefiting from subsidies currently subject to litigation in the U.S./EU case before the WTO. Gallois emphasized that Airbus remained interested in finding a compromise solution, and that it had suspended reimbursable loans for the A-350 in order to favor such a result. He noted that on past loans such as for the A-320, Airbus paid the loan back and in addition paid royalties. For the A-380, repayments would be due upon delivery of the

aircraft.

¶11. (SBU) Gallois also emphasized the significant U.S. participation in Airbus activities. It was a partner with GE and Northrup Grumman in the competition for a new U.S. military tanker plane; it sourced 46% on average of its purchases in the U.S.; while it was in favor of the U.S./EU Open Skies agreement as favoring overall development of the market for aircraft it had no strong views on ownership and control of U.S. airlines.

¶12. (SBU) On the future market for aircraft, Gallois noted that there was great uncertainty in the market, with some regions opting for smaller aircraft, but with environmental and airport constraints pushing in other cases for larger aircraft such as the A-380. He noted the importance of environmental considerations in Europe, and the potential contributions of both new engine technology and improvements in Air Traffic Control (ATC) and management to reducing emissions. Oberstar expressed his interest in a major redesign of the U.S. ATC system to take advantage of modern technology.

¶13. (SBU) Airbus/EADS participants were Louis Gallois, CEO Airbus, Co-CEO EADS ; Nicolas Naudin, EADS; Jodie Moxley, Airbus North America; Joel Johnson, Advisor to Airbus North America; Rob Wrigley, Airbus North America. Embassy participants were Ambassador Craig Stapleton; Thomas White, Acting DCM; Lirio Liu, Senior Representative, FAA; Econoffs.

Air France

¶14. (SBU) Jean-Cyril Spinetta began by hailing the U.S./EU Air Transport Agreement, noting that the step-by-step approach it envisioned was the right way to calm fears of disruptive consequences. He noted that Air-France/KLM's U.S. alliance partners Northwest Airlines and Delta were both out of chapter 11, and that Air France and KLM would soon be seeking anti-trust immunity for an expanded Joint Venture involving both of its U.S. allies. Chairman Oberstar indicated that it was his belief that the USG was ready to consider such an application favorably. Spinetta said that the U.S./EU agreement, by enshrining the notion of a "European Carrier" could provide the stable legal framework a company such as his, formed by the merger of French and Dutch Airlines, needed.

¶15. (SBU) Spinetta predicted further cross-border consolidation in the EU market, with larger carriers emerging and increasingly seeing themselves as global players. He believed European consumers would still have considerable choice, provided all cities retained good network connections. On ETS, he underlined the overwhelming importance of the cost of fuel, which would force airlines to renew fleets and thereby increase fuel and environmental efficiency.

PARIS 00001709 003 OF 003

SUMMARY

¶16. (SBU) For Air France attendees were: Jean Cyrill Spinetta CEO; Guy Tardieu, Chief of Staff; Patrick Alexandre, Executive VP International Commercial; Bruno Matteu, Executive VP Marketing and Network Management; Dominique Patry, Executive VP International Affairs and Alliances; Charles Yvinec, Director of Security. Codel Oberstar was joined from the Embassy by: Thomas White, Acting DCM; Lirio Liu, FAA Senior Representative; Nouri Larbi, TSA Representative, Econoff.

DGAC

¶17. (SBU) At DGAC Codel Oberstar was greeted by the newly named Director General of Civil Aviation Didier Lallement, who praised Franco-American cooperation on civil aviation issues, and in particular on aviation security, mentioning last summer's roll-out of new regulations on liquids and gels as a good example of the benefits of harmonizing approaches to aviation security.

¶18. (SBU) Codel Oberstar also received a lengthy brief on the organization and financing of air navigation services in France. DGAC had two budgets: a trust fund of some 1.8 Billion Euros, and a general budget of 170 Million Euros. Revenue came from passenger taxes, user fees, and charges to operators for Air Navigation Services. DGAC was still transitioning to a system of full recovery of costs for safety and supervision (e.g. pilots and mechanics licenses), and currently recovered about 50% of costs. It had met resistance due to the occasional lack of transparency of how costs related to services, especially from the general aviation sector. The Trust Fund was used to finance Air Navigation Services, with transfers from the general budget to compensate for services provided for free or at a reduced rate (e.g. to exempt military aircraft, or flights from overseas departments). As the Parliament moved to a performance based budgeting system, DGAC's performance would be evaluated based on indicators such as its safety record, traffic delays, and benchmarking of charges with other European partners.

¶19. (SBU) Attendees for Civil Aviation Authority (DGAC): Didier Lallement, Director General; Paul Schwach, Director of Strategic and Technical Affairs; Marc Hamy Director of Aviation Navigation Services; Florence Rousse, Director of Economic Regulation; Ren Gaudin, Director of Aeronautical Programmes and Cooperation; Maxime Coffin, Director of Inspections and Safety Department; Jean-Michel Bour, European and International Affairs. From the American Embassy: Stuart Dwyer, Economic Counselor; Lirio Liu, Senior FAA Representative; Nouri Larbi, TSA Representative; Econoff.

Thalys, Airbus, Fedex, National Assembly

¶20. (SBU) Codel Oberstar also had the opportunity to tour-and Chairman Oberstar to take the helm of-the Thalys TGV train on the Brussels Paris leg of their trip. They visited Airbus Facilities in Toulouse April 3, where they observed the A-380 final assembly line, and learned about Airbus' plans to overcome the plane's well-publicized production delays, as well as the company's belief that demand for the large-capacity plane would grow due to the continuing growth of traffic and airport and environmental constraints.

¶21. (SBU) April 4th Codel Oberstar visited Fedex's European hub at Charles De Gaulle airport, which since its establishment in 1999 has become the largest Fedex hub and investment outside the U.S. Fedex Express CEO Charles Bronczek highlighted Fedex's plans to integrate operations with France's high-speed rail network, for which it has joined an association with other interested parties (CAREX). Finally, the delegation was hosted by counterparts from the French National Assembly (Deputies Yves Coussain and Axel Poniatowski) to a dinner in the President of the Assembly's residence April 4.

¶22. (U) This cable was cleared by CODEL Oberstar.

STAPLETON